

CHAPTER 31.12 RCW

WASHINGTON STATE CREDIT UNION ACT

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NOTES:

Fairness in lending act: RCW 30.04.500 through 30.04.515.

Master license system exemption: RCW 19.02.800.

RCW 31.12.003 Findings--Intent--1997 c 397. The legislature finds that credit unions provide many valuable services to the consumers of this state and will be better prepared to continue providing these services if the Washington state credit union act is modernized, clarified, and reorganized.

Furthermore, the legislature finds that credit unions and credit union members will benefit by enacting provisions clearly specifying the director of financial institutions' authority to enforce statutory provisions.

Revisions to this chapter reflect the legislature's intent to modernize, clarify, and reorganize the existing act, and specify the director's enforcement authority. By enacting the revisions to this chapter, it is not the intent of the legislature to affect the scope of credit unions' field of membership or tax status, or impact federal parity provisions. [1997 c 397 § 1.]

RCW 31.12.005 Definitions. Unless the context clearly requires otherwise, as used in this chapter:

- (1) "Board" means the board of directors of a credit union.
- (2) "Board officer" means an officer of the board elected under RCW 31.12.265(1).
- (3) "Branch" of a credit union, out-of-state credit union, or foreign credit union means any facility that meets all of the following criteria:
 - (a) The facility is a staffed physical facility;
 - (b) The facility is owned or leased in whole or part by the credit union or its credit union service organization; and
 - (c) Deposits and withdrawals may be made, or shares purchased, through staff at the facility.
- (4) "Capital" means a credit union's reserves, undivided earnings, and allowance for loan and lease losses, and other items that may be included under RCW 31.12.413 or by rule of the director.
- (5) "Credit union" means a credit union organized and operating under this chapter.
- (6) "Credit union service organization" means an organization that a credit union has invested in pursuant to RCW 31.12.436(8), or a credit union service organization invested in by an out-of-state, federal, or foreign credit union.
- (7) "Director" means the director of financial institutions.
- (8) "Federal credit union" means a credit union organized and operating under the laws of the United States.
- (9) "Financial institution" means any commercial bank, trust company, savings bank, or savings and loan association, whether state or federally chartered, and any credit union, out-of-state credit union, or federal credit union.
- (10) "Foreign credit union" means a credit union organized and operating under the laws of another country or other foreign jurisdiction.
- (11) "Insolvency" means:
 - (a) If, under generally accepted accounting principles, the recorded value of the credit union's assets are less than its obligations to its share account holders, depositors, creditors, and others; or
 - (b) If it is likely that the credit union will be unable to pay its obligations or meet its share account holders' and depositors' demands in the normal course of business.
- (12) "Loan" means any loan, overdraft line of credit, extension of credit, or lease, in whole or in part.
- (13) "Material violation of law" means:
 - (a) If the credit union or person has violated a material provision of:
 - (i) Law;
 - (ii) Any cease and desist order issued by the director;
 - (iii) Any condition imposed in writing by the director in connection with the approval of any application or other request of the credit union; or
 - (iv) Any written agreement entered into with the director;
 - (b) If the credit union or person has concealed any of the credit union's books, papers, records, or assets, or refused to submit the credit union's books, papers, records, or affairs for inspection to any examiner of the state or, as appropriate, to any examiner of the national credit union administration; or
 - (c) If the person has breached his or her fiduciary duty to the credit union.
- (14) "Membership share" means an initial share that a credit union may require a person to purchase in order to establish and maintain membership in a credit union.

- (15) "Net worth" means a credit union's capital, less the allowance for loan and lease losses.
- (16) "Operating officer" means an employee of a credit union designated as an officer pursuant to RCW 31.12.265(2).
- (17) "Organization" means a corporation, partnership, association, limited liability company, trust, or other organization or entity.
- (18) "Out-of-state credit union" means a credit union organized and operating under the laws of another state or United States territory or possession.
- (19) "Person" means an organization or a natural person including, but not limited to, a sole proprietorship.
- (20) "Principally" or "primarily" means more than one-half.
- (21) "Senior operating officer" includes:
- (a) An operating officer who is a vice-president or above; and
 - (b) Any employee who has policy-making authority.
- (22) "Small credit union" means a credit union with up to ten million dollars in total assets.
- (23) "Unsafe or unsound condition" means, but is not limited to:
- (a) If the credit union is insolvent;
 - (b) If the credit union has incurred or is likely to incur losses that will deplete all or substantially all of its net worth; or
 - (c) If the credit union is in imminent danger of losing its share and deposit insurance or guarantee.
- (24) "Unsafe or unsound practice" means any action, or lack of action, which is contrary to generally accepted standards of prudent operation, the likely consequences of which, if continued, would be abnormal risk of loss or danger to a credit union, its members, or an organization insuring or guaranteeing its shares and deposits. [2001 c 83 § 1; 1997 c 397 § 2. Prior: 1994 c 256 § 68; 1994 c 92 § 175; 1984 c 31 § 2.]

NOTES:

Findings--Construction--1994 c 256: See RCW 43.320.007.

CREDIT UNION ORGANIZATION

RCW 31.12.015 Declaration of policy. A credit union is a cooperative society organized under this chapter as a nonprofit corporation for the purposes of promoting thrift among its members and creating a source of credit for them at fair and reasonable rates of interest.

The director is the state's credit union regulatory authority whose purpose is to protect members' financial interests, the integrity of credit unions as cooperative institutions, and the interests of the general public, and to ensure that credit unions remain viable and competitive in this state. [1997 c 397 § 3. Prior: 1994 c 256 § 69; 1994 c 92 § 176; 1984 c 31 § 3.]

NOTES:

Findings--Construction--1994 c 256: See RCW 43.320.007.

RCW 31.12.025 Use of words in name. (1) A credit union shall include the words "credit union" in its name.

(2) No person may conduct business or engage in any other activity under a name or title containing the words "credit union", or represent itself as a credit union, unless it is:

- (a) A credit union, out-of-state credit union, or a foreign credit union;
- (b) An organization whose membership or ownership is limited to credit unions, out-of-state credit unions, federal credit unions, or their trade organizations;
- (c) A person that is primarily in the business of managing one or more credit unions, out-of-state credit unions, or federal credit unions; or
- (d) A credit union service organization. [1997 c 397 § 4; 1994 c 256 § 70; 1984 c 31 § 4.]

NOTES:

Findings--Construction--1994 c 256: See RCW 43.320.007.

RCW 31.12.035 Application for permission to organize--Approval. Seven or more natural persons who reside in this state may apply to the director for permission to organize a credit union. The application must include copies of the proposed articles of incorporation and bylaws, and such other information as may be required by the director. The director shall approve or deny a complete application within sixty days of receipt. [1997 c 397 § 5; 1994 c 92 § 177; 1984 c 31 § 5.]

RCW 31.12.055 Manner of organizing--Articles of incorporation--Submission to director.

(1) Persons applying for the organization of a credit union shall execute articles of incorporation stating:

- (a) The initial name and location of the credit union;
- (b) That the duration of the credit union is perpetual;
- (c) That the purpose of the credit union is to engage in the business of a credit union and any other lawful activities permitted to a credit union by applicable law;
- (d) The number of its directors, which must not be less than five or greater than fifteen, and the names of the persons who are to serve as the initial directors;
- (e) The names of the incorporators;
- (f) The initial par value, if any, of the shares of the credit union;
- (g) The extent, if any, to which personal liability of directors is limited;
- (h) The extent, if any, to which directors, supervisory committee members, officers, employees, and others will be indemnified by the credit union; and
- (i) Any other provision which is not inconsistent with this chapter.

(2) Applicants shall submit the articles of incorporation in triplicate to the director. [1997 c 397 § 6. Prior: 1994 c 256 § 71; 1994 c 92 § 179; 1984 c 31 § 7.]

NOTES:

Findings--Construction--1994 c 256: See RCW 43.320.007.

RCW 31.12.065 Bylaws--Submission to director. (1) Persons applying for the organization of a credit union shall adopt bylaws that prescribe the manner in which the business of the credit union shall be conducted. The bylaws shall include:

- (a) The name of the credit union;
- (b) The field of membership of the credit union;
- (c) Reasonable qualifications for membership in the credit union, including, but not limited to, the minimum number of shares, and the payment of a membership fee, if any, required for membership, and the procedures for expelling a member;
- (d) The number of directors and supervisory committee members, and the length of terms

they serve and the permissible term length of any interim director or supervisory committee member;

(e) Any qualification for eligibility to serve on the credit union's board or supervisory committee;

(f) The number of credit union employees that may serve on the board, if any;

(g) The frequency of regular meetings of the board and the supervisory committee, and the manner in which members of the board or supervisory committee will be notified of meetings;

(h) The timing of the annual membership meeting;

(i) The manner in which members may call a special membership meeting;

(j) The manner in which members will be notified of membership meetings;

(k) The number of members constituting a quorum at a membership meeting;

(l) Provisions, if any, for the indemnification of directors, supervisory committee members, officers, employees, and others by the credit union, if not included in the articles of incorporation; and

(m) Any other provision which is not inconsistent with this chapter.

(2) Applicants shall submit the bylaws in duplicate to the director. [2001 c 83 § 2; 1997 c 397 § 7. Prior: 1994 c 256 § 72; 1994 c 92 § 180; 1984 c 31 § 8.]

NOTES:

Findings--Construction--1994 c 256: See RCW 43.320.007.

RCW 31.12.075 Approval, denial of proposed credit union--Appeal. (1) When the proposed articles of incorporation and bylaws complying with the requirements of RCW 31.12.055 and 31.12.065 have been filed with the director, the director shall:

(a) Determine whether the articles of incorporation and bylaws are consistent with this chapter; and

(b) Determine the feasibility of the credit union, taking into account surrounding facts and circumstances influencing the successful operation of the credit union.

(2) If the director is satisfied with the determinations made under subsection (1)(a) and (b) of this section, the director shall endorse each of the articles of incorporation "approved", indicate the date the approval was granted, and return two sets of articles and one set of bylaws to the applicants.

(3) If the director is not satisfied with the determinations made under subsection (1)(a) and (b) of this section, the director shall endorse each of the articles of incorporation "denied," indicate the date of, and reasons for, the denial, and return two copies of the articles of incorporation with one copy of the bylaws to the person from whom they were received. The director shall at the time of returning the copies of the articles of incorporation and bylaws, also provide notice to the applicant of the applicant's right to appeal the denial under chapter 34.05 RCW. The denial is conclusive unless the applicant requests a hearing under chapter 34.05 RCW. [1997 c 397 § 8; 1994 c 92 § 181; 1984 c 31 § 9.]

RCW 31.12.085 Filing upon approval--Fee--Notice to director--Authority to commence business. (1) Upon approval under RCW 31.12.075(2), the director shall deliver a copy of the articles of incorporation to the secretary of state for filing. Upon receipt of the approved articles of incorporation and a twenty dollar filing fee provided by the applicants, the secretary of state shall file the articles of incorporation.

(2) Upon filing of the approved articles of incorporation by the secretary of state, the persons named in the articles of incorporation and their successors may conduct business as a credit union, having the powers, duties, and obligations set forth in this chapter. A credit union may not conduct business until the articles have been filed by the secretary of state.

(3) A credit union shall organize and begin conducting business within six months of the date that its articles of incorporation are filed by the secretary of state or its charter is void. However, the director may grant extensions of the six-month period. [2001 c 83 § 3; 1997 c 397 § 9; 1994 c 92 § 182; 1993 c 269 § 12; 1984 c 31 § 10.]

NOTES:

Effective date--1993 c 269: See note following RCW 23.86.070.

CORPORATE GOVERNANCE

RCW 31.12.105 Amendment to articles of incorporation--Approval of director--Procedure.

A credit union's articles of incorporation may be amended by the board with the approval of the director. Complete applications for amendments to the articles must be approved or denied by the director within sixty days of receipt. Amendments to a credit union's articles of incorporation must conform with RCW 31.12.055.

Upon approval, the director shall promptly deliver the articles' amendments, including any necessary filing fees paid by the applicant, to the secretary of state for filing. The articles' amendments are effective upon filing of the amendments by the secretary of state. [2001 c 83 § 4; 1997 c 397 § 10; 1994 c 92 § 184; 1984 c 31 § 12.]

RCW 31.12.115 Amendment to bylaws--Approval of director required--Procedure. (1) A credit union's field of membership bylaws may be amended by the board with approval of the director. Complete applications to amend a credit union's field of membership bylaws must be approved or denied by the director within sixty days of receipt.

(2) A credit union's other bylaws may be amended by the board.

(3) Any amendments to a credit union's bylaws must conform with RCW 31.12.065. [2001 c 83 § 5; 1997 c 397 § 11. Prior: 1994 c 256 § 73; 1994 c 92 § 185; 1984 c 31 § 13.]

NOTES:

Findings--Construction--1994 c 256: See RCW 43.320.007.

RCW 31.12.185 Annual membership meetings. (1) A credit union's annual membership meeting shall be held at such time and place as the bylaws prescribe, and shall be conducted according to the rules of procedure approved by the board.

(2) Notice of the annual membership meetings of a credit union shall be given as provided in the bylaws of the credit union. [1997 c 397 § 12; 1987 c 338 § 2; 1984 c 31 § 20.]

RCW 31.12.195 Special membership meetings. (1) A special membership meeting of a credit union may be called by a majority of the board, a majority vote of the supervisory committee, or upon written application of at least ten percent or two thousand of the members of a credit union,

whichever is less.

(2) A request for a special membership meeting of a credit union shall be in writing and shall state specifically the purpose or purposes for which the meeting is called. At this meeting, only those agenda items detailed in the written request may be considered. If the special membership meeting is being called for the removal of one or more directors, the request shall state the name of the director or directors whose removal is sought.

(3) Upon receipt of a request for a special membership meeting, the secretary of the credit union shall designate the time and place at which the special membership meeting will be held. The designated place of the meeting must be a reasonable location within the county in which the principal place of business of the credit union is located, unless provided otherwise by the bylaws. The designated time of the membership meeting must be no sooner than twenty, and no later than thirty days after the request is received by the secretary.

The secretary shall give notice of the meeting within ten days of receipt of the request or within such other reasonable time period as may be provided by the bylaws. The notice must include the purpose or purposes for which the meeting is called, as provided in the bylaws. If the special membership meeting is being called for the removal of one or more directors, the notice must state the name of the director or directors whose removal is sought.

(4) Except as provided in this subsection, the chairperson of the board shall preside over special membership meetings. If the purpose of the special meeting includes the proposed removal of the chairperson, the next highest ranking board officer whose removal is not sought shall preside over the special meeting. If the removal of all board officers is sought, the chairperson of the supervisory committee shall preside over the special meeting.

(5) Special membership meetings shall be conducted according to the rules of procedure approved by the board. [1997 c 397 § 13. Prior: 1994 c 256 § 77; 1994 c 92 § 188; 1987 c 338 § 3; 1984 c 31 § 21.]

NOTES:

Findings--Construction--1994 c 256: See RCW 43.320.007.

RCW 31.12.225 Board of directors--Election of directors--Terms--Vacancies--Meetings. (1)

The business and affairs of a credit union shall be managed by a board of not less than five and not greater than fifteen directors.

(2) The directors must be elected at the credit union's annual membership meeting. They shall hold their offices until their successors are qualified and elected or appointed.

(3) Directors shall be elected to terms of between one and three years, as provided in the bylaws. If the terms are longer than one year, the directors must be divided into classes, and an equal number of directors, as nearly as possible, must be elected each year.

(4) Any vacancy on the board must be filled by an interim director appointed by the board, unless the interim director would serve a term of fewer than ninety days. Interim directors appointed to fill vacancies created by expansion of the board will serve until the next annual meeting of members. Other interim directors will serve out the unexpired term of the former director, unless provided otherwise in the credit union's bylaws.

(5) The board will have regular meetings not less frequently than once each month. [2001 c 83 § 6; 1997 c 397 § 14; 1984 c 31 § 24.]

RCW 31.12.235 Directors--Qualifications--Operating officers and employees may serve. (1)

A director must be a natural person and a member of the credit union. If a director ceases to be a

member of the credit union, the director shall no longer serve as a director.

(2)(a) If a director is absent from four of the regular board meetings in any twelve-month period in a term without being reasonably excused by the board, the director shall no longer serve as a director for the period remaining in the term.

(b) The board secretary shall promptly notify the director that he or she shall no longer serve as a director. Failure to provide notice does not affect the termination of the director's service under (a) of this subsection.

(3) A director must meet any qualification requirements set forth in the credit union's bylaws. If a director fails to meet these requirements, the director shall no longer serve as a director.

(4) The operating officers and employees of the credit union may serve as directors of the credit union, but only as permitted by the credit union's bylaws. In no event may the operating officers and employees of the credit union constitute a majority of the board. [2001 c 83 § 7; 1997 c 397 § 15; 1994 c 256 § 78; 1984 c 31 § 25.]

NOTES:

Findings--Construction--1994 c 256: See RCW 43.320.007.

RCW 31.12.246 Removal of directors--Interim directors. The members of a credit union may remove a director of the credit union at a special membership meeting held in accordance with RCW 31.12.195 and called for that purpose. If the members remove a director, the members may at the same special membership meeting elect an interim director to complete the remainder of the former director's term of office or authorize the board to appoint an interim director as provided in RCW 31.12.225. [1997 c 397 § 16; 1984 c 31 § 26.]

RCW 31.12.255 Board of directors--Powers and duties. The business and affairs of a credit union shall be managed by the board of the credit union. The duties of the board include, but are not limited to, the duties enumerated in this section. The duties listed in subsection (1) of this section may not be delegated by the credit union's board of directors. The duties listed in subsection (2) of this section may be delegated to a committee, officer, or employee, with appropriate reporting to the board.

(1) The board shall:

- (a) Set the par value of shares, if any, of the credit union;
- (b) Set the minimum number of shares, if any, required for membership;
- (c) Establish the loan policies under which loans may be approved;
- (d) Establish the conditions under which a member may be expelled for cause;
- (e) Fill vacancies on all committees except the supervisory committee;
- (f) Approve an annual operating budget for the credit union;
- (g) Designate those persons or positions authorized to execute or certify documents or records on behalf of the credit union;
- (h) Review the supervisory committee's annual report; and
- (i) Perform such other duties as the members may direct.

(2) In addition, unless delegated, the board shall:

- (a) Act upon applications for membership in the credit union;
- (b) Determine the maximum amount of shares and deposits that a member may hold in the credit union;
- (c) Declare dividends on shares and set the rate of interest on deposits;
- (d) Set the fees, if any, to be charged by the credit union to its members for the right to be a

- member of the credit union and for services rendered by the credit union;
- (e) Determine the amount which may be loaned to a member together with the terms and conditions of loans;
- (f) Establish policies under which the credit union may borrow and invest; and
- (g) Approve the charge-off of credit union losses. [2001 c 83 § 8; 1997 c 397 § 17; 1994 c 256 § 79; 1984 c 31 § 27.]

NOTES:

Findings--Construction--1994 c 256: See RCW 43.320.007.

RCW 31.12.265 Officers. (1) The board at its first meeting after the annual membership meeting shall elect board officers from among its members, as provided in the credit union's bylaws. The board will elect as many board officers as it deems necessary for transacting the business of the board of the credit union. The board officers shall hold office until their successors are qualified and elected, unless sooner removed as provided in this chapter. All board officers must be elected members of the board. However, the office of board treasurer and board secretary may be held by the same person and need not be elected members of the board.

(2) The board may designate as many operating officers as it deems necessary for conducting the business of the credit union, including, but not limited to, a principal operating officer. Individuals serving as operating officers may also serve as board officers in accordance with subsection (1) of this section and subject to RCW 31.12.235(4). [1997 c 397 § 18; 1994 c 256 § 80; 1987 c 338 § 4; 1984 c 31 § 28.]

NOTES:

Findings--Construction--1994 c 256: See RCW 43.320.007.

RCW 31.12.267 Directors and officers--Fiduciary relationship. Directors, board officers, and senior operating officers are deemed to stand in a fiduciary relationship to the credit union, and must discharge the duties of their respective positions:

- (1) In good faith;
- (2) With the care an ordinarily prudent person in a like position would exercise under similar circumstances; and
- (3) In a manner the director or officer reasonably believes to be in the best interests of the credit union. [2001 c 83 § 9; 1997 c 397 § 19.]

RCW 31.12.269 Directors and committee members--Limitations on personal liability--

Exceptions. (1) Directors and committee members at a credit union or federal credit union have no personal liability for harm caused by acts or omissions performed on behalf of the credit union if: The director or committee member was acting within the scope of his or her duties at the time of the act or omission; the harm was not caused by an act in violation of RCW 31.12.267; the harm was not caused by willful or criminal misconduct, gross negligence, reckless misconduct, or a conscious, flagrant indifference to the rights or safety of the individual harmed; and the harm was not caused by the director or committee member's operation of a motor vehicle, vessel, aircraft, or other vehicle for which the state requires the operator or the owner of the vehicle, craft, or vessel to either possess an operator's license or maintain insurance.

(2) This section does not affect a director's or committee member's liability to the credit union or to

a governmental entity for harm to the credit union or governmental entity caused by the director or committee member.

(3) This section does not affect the vicarious liability of the credit union with respect to harm caused to any person, including harm caused by the negligence of a director or committee member.

(4) This section does not affect the liability of employees of the credit union for acts or omissions done within the scope of their employment. [2001 c 120 § 1.]

RCW 31.12.285 Suspension of members of board or supervisory committee by board--For

cause. The board may suspend for cause a member of the board or a member of the supervisory committee until a membership meeting is held. The membership meeting must be held within thirty days after the suspension. The members attending the meeting shall vote whether to remove a suspended party. For purposes of this section, "cause" includes demonstrated financial irresponsibility, a breach of fiduciary duty to the credit union, or activities which, in the judgment of the board, threaten the safety and soundness of the credit union. [1997 c 397 § 21; 1984 c 31 § 30.]

RCW 31.12.326 Supervisory committee--Membership--Terms--Vacancies--Operating

officers and employees may not serve. (1) A supervisory committee of at least three members must be elected at the annual membership meeting of the credit union. Members of the supervisory committee shall serve a term of three years, unless sooner removed under this chapter or until their successors are qualified and elected or appointed. The members of the supervisory committee shall be divided into classes so that as equal a number as is possible is elected each year.

(2)(a) If a supervisory committee member is absent from more than one-third of the committee meetings in any twelve-month period in a term without being reasonably excused by the committee, the member shall no longer serve as a member of the committee for the period remaining in the term.

(b) The supervisory committee shall promptly notify the member that he or she shall no longer serve as a committee member. Failure to provide notice does not affect the termination of the member's service under (a) of this subsection.

(3) A supervisory committee member must be a natural person and a member of the credit union. If a member of the supervisory committee ceases to be a member of the credit union, the member shall no longer serve as a committee member. The chairperson of the supervisory committee may not serve as a board officer.

(4) Any vacancy on the committee must be filled by an interim member appointed by the committee, unless the interim member would serve a term of fewer than ninety days. Interim members appointed to fill vacancies created by expansion of the committee will serve until the next annual meeting of members. Other interim members may serve out the unexpired term of the former member, unless provided otherwise by the credit union's bylaws. However, if all positions on the committee are vacant at the same time, the board may appoint interim members to serve until the next annual membership meeting.

(5) No operating officer or employee of a credit union may serve on the credit union's supervisory committee. No more than one director may be a member of the supervisory committee at the same time, unless provided otherwise by the credit union's bylaws. No member of the supervisory committee may serve on the credit committee or investment committee of the credit union while serving on the supervisory committee. [2001 c 83 § 10; 1997 c 397 § 22; 1984 c 31 § 34.]

RCW 31.12.335 Supervisory committee--Duties. (1) The supervisory committee of a credit

union shall:

- (a) Meet at least quarterly;
- (b) Keep fully informed as to the financial condition of the credit union and the decisions of the credit union's board;
- (c) Perform or arrange for a complete annual audit of the credit union and a verification of its members' accounts; and
- (d) Report its findings and recommendations to the board and make an annual report to members at each annual membership meeting.

(2) At least one supervisory committee member may attend each regular board meeting. [2001 c 83 § 11; 1997 c 397 § 23. Prior: 1994 c 256 § 82; 1994 c 92 § 192; 1984 c 31 § 35.]

NOTES:

Findings--Construction--1994 c 256: See RCW 43.320.007.

RCW 31.12.345 Suspension of members of a committee or members of the board by supervisory committee--For cause. (1) The supervisory committee may, by unanimous vote, for cause, suspend a member of the board, until a membership meeting is held. The membership meeting must be held within thirty days after the suspension. The members attending that meeting shall vote whether to remove the suspended party or parties. The supervisory committee may, by unanimous vote, for cause, suspend members of other committees until a membership meeting is held. The meeting must be held within thirty days after the suspension. The members attending that meeting shall vote whether to remove the suspended party or parties.

(2) For purposes of this section, "cause" includes demonstrated financial irresponsibility, a breach of fiduciary duty to the credit union, or activities which, in the judgment of the supervisory committee, threaten the safety and soundness of the credit union. [1997 c 397 § 24; 1984 c 31 § 36.]

RCW 31.12.365 Directors and members of committees--Compensation--Reimbursement--Loans. (1) Directors and members of committees shall not receive compensation for their service as directors and committee members. However, this subsection does not prohibit directors or committee members from receiving:

- (a) Gifts of minimal value; and
- (b) Insurance coverage or incidental services, available to employees generally.

(2) Directors and members of committees may receive reimbursement for reasonable expenses incurred on behalf of themselves and their spouses in the performance of the directors' and committee members' duties.

(3) Loans to directors and supervisory and credit committee members may not be made under more favorable terms and conditions than those made to members generally. [2001 c 83 § 12; 1997 c 397 § 25; 1984 c 31 § 38.]

RCW 31.12.367 Risk--Bond coverage--Notice to director. (1) Each credit union must be adequately insured against risk. In addition, each director, officer, committee member, and employee of a credit union must be adequately bonded.

(2) When a credit union receives notice that its fidelity bond coverage will be suspended or terminated, the credit union shall notify the director in writing not less than thirty-five days prior to the effective date of the notice of suspension or termination. [2001 c 83 § 13; 1997 c 397 § 26;

MEMBERSHIP

RCW 31.12.382 Limitation on membership. (1) Membership in a credit union shall be limited to groups having a common bond of occupation or association, or to groups within a well-defined neighborhood, community, or rural district. The director may adopt rules: (a) Reasonably defining "common bond"; and (b) setting forth standards for the approval of charters.

(2) The director may approve the inclusion within the field of membership of a credit union a group having a separate common bond if the director determines that the group is not of sufficient size or resources to support a viable credit union of its own. [1994 c 92 § 178; 1984 c 31 § 6. Formerly RCW 31.12.045.]

RCW 31.12.384 Membership. (1) A credit union may admit to membership those persons qualified for membership as set forth in its bylaws.

(2) An organization whose membership, ownership, or employees are comprised principally of persons who are eligible for membership in the credit union may become a member of the credit union. [1997 c 397 § 27; 1984 c 31 § 16. Formerly RCW 31.12.145.]

RCW 31.12.386 Voting rights--Methods--Proxy--Under eighteen years of age. (1) No member may have more than one vote regardless of the number of shares held by the member. An organization having membership in a credit union may cast one vote through its agent duly authorized in writing.

(2) Members may vote, as prescribed in the credit union's bylaws, by mail ballot, absentee ballot, or other method. However, no member may vote by proxy.

(3) A member who is not at least eighteen years of age is not eligible to vote as a member unless otherwise provided in the credit union's bylaws. [1997 c 397 § 28; 1994 c 256 § 76; 1984 c 31 § 17. Formerly RCW 31.12.155.]

NOTES:

Findings--Construction--1994 c 256: *See RCW 43.320.007.*

RCW 31.12.388 Expulsion of member--Challenge--Share and deposit accounts. (1) Members expelled from the credit union will be notified of the expulsion and the reasons upon which it is based. The credit union will, upon request of the expelled member, allow the member to challenge the expulsion and seek reinstatement as a member.

(2) The amounts in an expelled member's share and deposit accounts must be promptly paid to the person following expulsion, and after deducting amounts due from the member(s) to the credit union, including, but not limited to, any applicable penalties for early withdrawal. Expulsion will not operate to relieve the person from outstanding liabilities owed to the credit union. [1997 c 397 § 29; 1984 c 31 § 31. Formerly RCW 31.12.295.]

POWERS OF CREDIT UNIONS

RCW 31.12.402 Powers. A credit union may:

- (1) Issue shares to and receive deposits from its members in accordance with RCW 31.12.416;
- (2) Make loans to its members in accordance with RCW 31.12.426 and 31.12.428;
- (3) Pay dividends and interest to its members in accordance with RCW 31.12.418;
- (4) Impose reasonable charges for the services it provides to its members;
- (5) Impose financing charges and reasonable late charges in the event of default on loans, subject to applicable law, and recover reasonable costs and expenses, including, but not limited to, collection costs, and reasonable attorneys' fees incurred both before and after judgment, incurred in the collection of sums due, if provided for in the note or agreement signed by the borrower;
- (6) Acquire, lease, hold, assign, pledge, sell, or otherwise dispose of interests in personal property and in real property in accordance with RCW 31.12.438;
- (7) Deposit and invest funds in accordance with RCW 31.12.436;
- (8) Borrow money, up to a maximum of fifty percent of its total shares, deposits, and net worth;
- (9) Discount or sell any of its assets, or purchase any or all of the assets of another credit union, out-of-state credit union, or federal credit union. However, a credit union may not discount or sell all, or substantially all, of its assets without the approval of the director;
- (10) Accept deposits of deferred compensation of its members;
- (11) Act as fiscal agent for and receive payments on shares and deposits from the federal government or this state, and any agency or political subdivision thereof;
- (12) Engage in activities and programs as requested by the federal government, this state, and any agency or political subdivision thereof, when the activities or programs are not inconsistent with this chapter;
- (13) Hold membership in credit unions, out-of-state credit unions, or federal credit unions and in organizations controlled by or fostering the interests of credit unions, including, but not limited to, a central liquidity facility organized under state or federal law;
- (14) Pay additional dividends and interest to members, or an interest rate refund to borrowers;
- (15) Enter into lease agreements, lease contracts, and lease-purchase agreements with members;
- (16) Act as insurance agent or broker for the sale to members of:
 - (a) Group life, accident, health, and credit life and disability insurance; and
 - (b) Other insurance that other types of Washington state-chartered financial institutions are permitted to sell, on the same terms and conditions that these institutions are permitted to sell such insurance;
- (17) Impose a reasonable service charge for the administration and processing of accounts that remain dormant for a period of time specified by the credit union;
- (18) Establish and operate on-premises or off-premises electronic facilities;
- (19) Enter into formal or informal agreements with another credit union for the purpose of fostering the development of the other credit union;
- (20) Work with community leaders to develop and prioritize efforts to improve the areas where their members reside by making investments in the community through contributions to organizations that primarily serve either a charitable, social, welfare, or educational purpose, or are exempt from taxation pursuant to section 501(c)(3) of the internal revenue code;
- (21) Limit the personal liability of its directors in accordance with provisions of its articles of incorporation that conform with RCW 23B.08.320;
- (22) Indemnify its directors, supervisory committee members, officers, employees, and others in accordance with provisions of its articles of incorporation or bylaws that conform with RCW 23B.08.500 through 23B.08.600; and
- (23) Exercise such incidental powers as are necessary or convenient to enable it to conduct the

business of a credit union. [2001 c 83 § 14; 1997 c 397 § 30. Prior: 1994 c 256 § 74; 1994 c 92 § 186; 1990 c 33 § 564; 1984 c 31 § 14. Formerly RCW 31.12.125.]

NOTES:

Findings--Construction--1994 c 256: See RCW 43.320.007.

Purpose--Statutory references--Severability--1990 c 33: See RCW 28A.900.100 through 28A.900.102.

RCW 31.12.404 Additional powers--Powers conferred on federal credit union--Authority of director. (1) Notwithstanding any other provision of law, and in addition to all powers and authorities, express or implied, that a credit union has under the laws of this state, a credit union has the powers and authorities that a federal credit union had on December 31, 1993, or a subsequent date not later than July 22, 2001.

(2) Notwithstanding any other provision of law, and in addition to the powers and authorities, express or implied, that a credit union has under subsection (1) of this section, a credit union has the powers and authorities that a federal credit union has, and an out-of-state credit union operating a branch in Washington has, subsequent to July 22, 2001, if the director finds that the exercise of the power and authority serves the convenience and advantage of members of credit unions, and maintains the fairness of competition and parity between credit unions and federal or out-of-state credit unions. However, a credit union:

(a) Must still comply with RCW 31.12.408; and

(b) Is not granted the field of membership powers or authorities of any out-of-state credit union operating a branch in Washington.

(3) The restrictions, limitations, and requirements applicable to specific powers or authorities of federal or out-of-state credit unions apply to credit unions exercising those powers or authorities permitted under this section but only insofar as the restrictions, limitations, and requirements relate to the specific exercise of the powers or authorities granted credit unions solely under this section.

(4) As used in this section, "powers and authorities" include, but are not limited to, powers and authorities in corporate governance matters. [2001 c 83 § 15; 1997 c 397 § 31. Prior: 1994 c 256 § 75; 1994 c 92 § 187; 1987 c 338 § 1; 1984 c 31 § 15. Formerly RCW 31.12.136.]

NOTES:

Findings--Construction--1994 c 256: See RCW 43.320.007.

RCW 31.12.408 Insurance required after December 31, 1998--Federal share insurance program or an equivalent share insurance program--Director's findings. (1) After December 31, 1998, credit unions must be insured under the federal share insurance program or an equivalent share insurance program as defined in this section. For the purposes of this section an equivalent share insurance program is a program that: (a) Holds reserves proportionately equal to the federal share insurance program; (b) maintains adequate reserves and access to additional sources of funds through replenishment features, reinsurance, or other sources of funds; and (c) has share insurance contracts that reflect a national geographic diversity.

(2) Before any credit union may insure its share deposits with a share insurance program other than the federal share insurance program, the director must make a finding that the alternative share insurance program meets the standards set forth in this section, following a public hearing and a report on the basis for such finding to the appropriate standing committees of the legislature. All such findings shall be made before December 1st of any year and shall not take effect until the end

of the regular legislative session of the following year.

(3) Any alternative share insurance program approved under this section shall be reviewed annually by the director to determine whether the program currently meets the standards in this section. The director shall prepare a written report of his or her findings including supporting analysis and forward the report to the appropriate standing committees of the legislature. If the director finds that the alternative share insurance program does not currently meet the standards of this section the director shall notify all credit unions that insure their shares under the alternative share insurance program, and shall include notice of a public hearing for the purpose of receiving comment on the director's finding. Following the hearing the director may either rescind his or her finding or reaffirm the finding that the alternative share insurance program does not meet the standards in this section. If the finding is reaffirmed, the director shall order all credit unions whose shares are insured with the alternative share insurance program to file, immediately, an application with the national credit union administration to convert to the federal share insurance program. [1996 c 5 § 6; (1998 c 122 § 6 expired July 1, 2001). Formerly RCW 31.12.039.]

NOTES:

Expiration date--1998 c 122 §§ 5 and 6: *"Sections 5 and 6 of this act expire July 1, 2001." [1998 c 122 § 9.]*

Findings--Intent--1996 c 5: *"The legislature finds that since its creation in 1975 the Washington credit union share guaranty association has provided security to member share accounts and other valuable services to members.*

The legislature further finds that although during that period thirty member credit unions have been required to liquidate or merge with other members with the assistance of the association, no depositor has experienced any loss.

The legislature further finds that the changing financial services environment, and ever-increasing competitive pressures have caused the association to review its operation and capacity with the result that the membership has recommended an orderly dissolution, and now seeks the adoption of standards and procedures by the legislature that will direct and ensure an orderly transition to federal share insurance.

Therefore, it is the intent of the legislature to effectuate a fair and orderly transition of association members to federal share insurance, and provide the highest available level of safety for share accounts in keeping with depositors' expectations." [1996 c 5 § 1.]

Severability--1996 c 5: *"If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected." [1996 c 5 § 9.]*

RCW 31.12.413 Low-income credit unions--Director's approval required--Powers--Rules.

(1) A credit union may apply in writing to the director for designation as a low-income credit union. The criteria for approval of this designation are as follows:

- (a) At least fifty percent of a substantial and well-defined segment of the credit union's members or potential primary members earn no more than eighty percent of the state or national median income, whichever is higher;
- (b) The credit union must submit an acceptable written plan on marketing to and serving the well-defined segment;
- (c) The credit union must agree to submit annual reports to the director on its service to the well-defined segment; and
- (d) The credit union must submit other information and satisfy other criteria as may be required by the director.

- (2) (a) Among other powers and authorities, a low-income credit union may:
 - (i) Issue secondary capital accounts approved in advance by the director upon application of the credit union; and
 - (ii) Accept shares and deposits from nonmembers.
- (b) A secondary capital account is:
 - (i) Over one hundred thousand dollars, or a higher amount as established by the director;
 - (ii) Nontransactional;
 - (iii) Owned by a nonnatural person; and
 - (iv) Subordinate to other creditors.
- (3) The director may adopt rules for the organization and operation of low-income credit unions including, but not limited to, rules concerning secondary capital accounts and requiring disclosures to the purchasers of the accounts. [2001 c 83 § 16.]

MEMBERS' ACCOUNTS

RCW 31.12.416 Shares and deposits governed by chapter 30.22 RCW--Limitation on shares and deposits--Notice of withdrawal--Lien rights. (1) Shares held and deposits made in a credit union by a natural person are governed by chapter 30.22 RCW.

(2) A credit union may require ninety days notice of a member's intention to withdraw shares or deposits. The notice requirement may be extended with the written consent of the director.

(3) A credit union will have a lien on all shares and deposits, including, but not limited to, dividends, interest, and any other earnings and accumulations thereon, of any share account holder or depositor, to the extent of any obligation owed to the credit union by the share account holder or depositor. [1997 c 397 § 32. Prior: 1994 c 256 § 83; 1994 c 92 § 194; 1984 c 31 § 40. Formerly RCW 31.12.385.]

NOTES:

Findings--Construction--1994 c 256: See RCW 43.320.007.

RCW 31.12.418 Dividends. Dividends may be declared from the credit union's earnings which remain after the deduction of expenses, interest on deposits, and the amounts required for reserves, or the dividends may be declared in whole or in part from the undivided earnings that remain from preceding periods. [1997 c 397 § 33; 1984 c 31 § 50. Formerly RCW 31.12.485.]

LOANS TO MEMBERS

RCW 31.12.426 Loans to members--Secured or unsecured loans. (1) A credit union may make secured and unsecured loans to its members under policies established by the board, subject to the loans to one borrower limits provided for in RCW 31.12.428. Each loan must be evidenced by records adequate to support enforcement or collection of the loan and any review of the loan by the director. Loans must be in compliance with rules adopted by the director.

(2) A credit union may obligate itself to purchase loans in accordance with RCW 31.12.436(1), if the credit union's underwriting policies would have permitted it to originate the

loans. [2001 c 83 § 17; 1997 c 397 § 34. Prior: 1994 c 256 § 84; 1994 c 92 § 195; 1987 c 338 § 6; 1984 c 31 § 42. Formerly RCW 31.12.406.]

NOTES:

Findings--Construction--1994 c 256: See RCW 43.320.007.

RCW 31.12.428 Limit on loan amount. (1) No loan may be made to any borrower if the loan would cause the borrower to be indebted to the credit union on all types of loans in an aggregated amount exceeding ten thousand dollars or twenty-five percent of the capital of the credit union, whichever is greater, without the approval of the director.

(2) The director by rule may establish separate limits on business loans to one borrower. [2001 c 83 § 18; 1997 c 397 § 35; 1994 c 256 § 92. Formerly RCW 31.12.317.]

NOTES:

Effective date--1997 c 397 § 35: "Section 35 of this act takes effect July 1, 1998." [1997 c 397 § 90.]

Findings--Construction--1994 c 256: See RCW 43.320.007.

INVESTMENTS

RCW 31.12.436 Investment of funds in excess of loans. A credit union may invest its funds in any of the following, as long as they are deemed prudent by the board:

- (1) Loans held by credit unions, out-of-state credit unions, or federal credit unions; loans to members held by other lenders; and loans to nonmembers held by other lenders, with the approval of the director;
- (2) Bonds, securities, or other investments that are fully guaranteed as to principal and interest by the United States government, and general obligations of this state and its political subdivisions;
- (3) Obligations issued by corporations designated under 31 U.S.C. Sec. 9101, or obligations, participations or other instruments issued and guaranteed by the federal national mortgage association, federal home loan mortgage corporation, government national mortgage association, or other government-sponsored enterprise;
- (4) Participations or obligations which have been subjected by one or more government agencies to a trust or trusts for which an executive department, agency, or instrumentality of the United States has been named to act as trustee;
- (5) Share or deposit accounts of other financial institutions, the accounts of which are federally insured or insured or guaranteed by another insurer or guarantor approved by the director. The shares and deposits made by a credit union under this subsection may exceed the insurance or guarantee limits established by the organization insuring or guaranteeing the institution into which the shares or deposits are made;
- (6) Common trust or mutual funds whose investment portfolios consist of securities issued or guaranteed by the federal government or an agency of the government;
- (7) Up to five percent of the capital of the credit union, in debt or equity issued by an organization owned by the Washington credit union league;
- (8) Shares, stocks, loans, or other obligations of organizations whose primary purpose is to strengthen, advance, or provide services to the credit union industry or credit union members. A credit union may in the aggregate invest an amount not to exceed one percent of its assets in

organizations under this subsection. In addition, a credit union may in the aggregate lend an amount not to exceed one percent of its assets to organizations under this subsection. These limits do not apply to investments in, and loans to, an organization:

(a) That is wholly owned by one or more credit unions or federal or out-of-state credit unions; and

(b) Whose activities are limited exclusively to those authorized by this chapter for a credit union;

(9) Loans to credit unions, out-of-state credit unions, or federal credit unions. The aggregate of loans issued under this subsection is limited to twenty-five percent of the total shares and deposits of the lending credit union;

(10) Key person insurance policies, the proceeds of which inure exclusively to the benefit of the credit union; or

(11) Other investments approved by the director upon written application. [2001 c 83 § 19; 1997 c 397 § 36. Prior: 1994 c 256 § 86; 1994 c 92 § 197; 1987 c 338 § 7; 1984 c 31 § 44. Formerly RCW 31.12.425.]

NOTES:

Findings--Construction--1994 c 256: See RCW 43.320.007.

RCW 31.12.438 Investment in real property or leasehold interests for own use--Future expansion. (1) A credit union may invest in real property or leasehold interests primarily for its own use in conducting business, including, but not limited to, structures and fixtures attached to real property, subject to the following limitations:

(a) The credit union's net worth equals at least five percent of the total of its share and deposit accounts;

(b) The board approves the investment; and

(c) The aggregate of all such investments does not exceed seven and one-half percent of the total of its share and deposit accounts.

(2) If the real property or leasehold interest is acquired for future expansion, the credit union must satisfy the use requirement in subsection (1) of this section within three years after the credit union makes the investment.

(3) The director may, upon written application, waive any of the limitations listed in subsection (1) or (2) of this section. [2001 c 83 § 20; 1997 c 397 § 37. Prior: 1994 c 256 § 87; 1994 c 92 § 198; 1984 c 31 § 45. Formerly RCW 31.12.435.]

NOTES:

Findings--Construction--1994 c 256: See RCW 43.320.007.

MERGERS, CONVERSIONS, AND VOLUNTARY LIQUIDATIONS

RCW 31.12.461 Mergers. (1) For purposes of this section, the merging credit union is the credit union whose charter ceases to exist upon merger with the continuing credit union. The continuing credit union is the credit union whose charter continues upon merger with the merging credit union.

(2) A credit union may be merged with another credit union with the approval of the director and in accordance with requirements the director may prescribe. The merger must be approved by a two-thirds majority vote of the board of each credit union and a two-thirds majority vote of those

members of the merging credit union voting on the merger at a membership meeting. The requirement of approval by the members of the merging credit union may be waived by the director if the merging credit union is in imminent danger of insolvency.

(3) The property, rights, and interests of the merging credit union transfer to and vest in the continuing credit union without deed, endorsement, or instrument of transfer, although instruments of transfer may be used if their use is deemed appropriate. The debts and obligations of the merging credit union that are known or reasonably should be known are assumed by the continuing credit union. The continuing credit union shall cause to be published notice of merger once a week for three consecutive weeks in a newspaper of general circulation in the county in which the principal place of business of the merging credit union is located. The notice of merger must also inform creditors of the merging credit union how to make a claim on the continuing credit union, and that if a claim is not made upon the continuing credit union within thirty days of the last date of publication, creditors' claims that are not known by the continuing credit union may be barred. Except for claims filed as requested by the notice, or debts or obligations that are known or reasonably should be known by the continuing credit union, the debts and obligations of the merging credit union are discharged. Upon merger, the charter of the merging credit union ceases to exist.

(4) Mergers are effective after the thirty-day notice period to creditors and all regulatory waiting periods have expired, and upon filing of the credit union's articles of merger by the secretary of state, or a later date stated in the articles, which in no event may be later than ninety days after the articles are filed. [2001 c 83 § 21; 1997 c 397 § 40. Prior: 1994 c 256 § 91; 1994 c 92 § 220; 1987 c 338 § 8; 1984 c 31 § 71. Formerly RCW 31.12.695.]

NOTES:

Findings--Construction--1994 c 256: See RCW 43.320.007.

RCW 31.12.464 Merger or conversion of state into federal, out-of-state, or foreign credit union, or other type of financial institution.

(1) A credit union may merge or convert into a federal credit union as authorized by the federal credit union act. The merger or conversion must be approved by a two-thirds majority vote of those credit union members voting at a membership meeting.

(2) If the merger or conversion is approved by the members, a copy of the resolution certified by the secretary must be filed with the director within ten days of approval. The board may effect the merger or conversion upon terms agreed by the board and the federal regulator.

(3) A certified copy of the federal credit union charter or authorization issued by the federal regulator must be filed with the director and thereupon the credit union ceases to exist except for the purpose of winding up its affairs and prosecuting or defending any litigation by or against the credit union. For all other purposes, the credit union is merged or converted into a federal credit union and the credit union may execute, acknowledge, and deliver to the successor federal credit union the instruments of transfer, conveyance, and assignment that are necessary or desirable to complete the merger or conversion, and the property, tangible or intangible, and all rights, titles, and interests that are agreed to by the board and the federal regulator.

(4) Mergers and conversions are effective after all applicable regulatory waiting periods have expired and upon filing of the credit union's articles of merger or articles of conversion, as appropriate, by the secretary of state, or a later date stated in the articles, which in no event may be later than ninety days after the articles are filed.

(5) Procedures, similar to those contained in subsections (1) through (4) of this section, prescribed by the director must be followed when a credit union merges or converts into an out-of-state or

foreign credit union, or other type of financial institution. [2001 c 83 § 22; 1997 c 397 § 41; 1994 c 92 § 221; 1984 c 31 § 72. Formerly RCW 31.12.705.]

RCW 31.12.467 Merger or conversion of federal, out-of-state, or foreign to state credit union.

(1) A federal credit union located and conducting business in this state may merge or convert into a credit union organized and operating under this chapter.

(2) In the case of a conversion, the board of the federal credit union shall file with the director proposed articles of incorporation and bylaws, as provided by this chapter for organizing a new credit union. If the conversion is approved by the director, the federal credit union becomes a credit union under the laws of this state.

(3) The assets and liabilities of the federal credit union will vest in and become the property of the successor credit union subject to all existing liabilities against the federal credit union. Members of the federal credit union may become members of the successor credit union.

(4) Mergers and conversions are effective after all applicable regulatory waiting periods have expired and upon filing of the federal credit union's articles of merger or articles of conversion, as appropriate, by the secretary of state, or a later date stated in the articles, which in no event may be later than ninety days after the articles are filed.

(5) Procedures, similar to those contained in subsections (1) through (4) of this section, prescribed by the director must be followed when an out-of-state or foreign credit union wishes to merge or convert into a credit union organized and operating under this chapter. [2001 c 83 § 23; 1997 c 397 § 42; 1994 c 92 § 222; 1984 c 31 § 73. Formerly RCW 31.12.715.]

RCW 31.12.471 Authority of out-of-state or foreign credit union to operate in this state--

Conditions. (1) An out-of-state or foreign credit union may not operate a branch in Washington unless:

- (a) The director has approved its application in accordance with this section;
- (b) A credit union organized and operating under this chapter is permitted to do business in the state or foreign jurisdiction in which the credit union is organized;
- (c) The interest rate charged by the credit union on loans made to members residing in this state does not exceed the maximum interest rate permitted in the state or jurisdiction in which the credit union is organized, or exceed the maximum interest rate that a credit union organized and operating under this chapter is permitted to charge on similar loans, whichever is lower;
- (d) The credit union has secured surety bond and fidelity bond coverages satisfactory to the director;
- (e) The credit union's share and deposit accounts are insured under the federal share insurance program or an equivalent share insurance program in compliance with RCW 31.12.408;
- (f) The credit union submits to the director an annual examination report of its most recently completed fiscal year;
- (g) The credit union has not had its authority to do business in another state or foreign jurisdiction suspended or revoked;
- (h) The credit union complies with:
 - (i) The provisions concerning field of membership in this chapter and rules adopted by the director; and
 - (ii) Such other provisions of this chapter and rules adopted by the director, as determined by the director; and

(i) In addition, if the credit union is a foreign credit union:

(i) A treaty or agreement between the United States and the jurisdiction where the credit union is organized requires the director to permit the credit union to operate a branch in Washington; and

(ii) The director determines that the credit union has substantially the same characteristics as a credit union organized and operating under this chapter.

(2) The director shall deny an application filed under this section or, upon notice and an opportunity for hearing, suspend or revoke the approval of an application, if the director finds that the standards of organization, operation, and regulation of the applicant do not reasonably conform with the standards under this chapter. In considering the standards of organization, operation, and regulation of the applicant, the director may consider the laws of the state or foreign jurisdiction in which the applicant is organized. A decision under this subsection may be appealed under chapter 34.05 RCW.

(3) In implementing this section, the director may cooperate with credit union regulators in other states or jurisdictions and may share with the regulators the information received in the administration of this chapter.

(4) The director may enter into supervisory agreements with out-of-state and foreign credit unions and their regulators to prescribe the applicable laws governing the powers and authorities of Washington branches of the out-of-state or foreign credit unions. The director may also enter into supervisory agreements with the credit union regulators in other states or foreign jurisdictions to prescribe the applicable laws governing the powers and authorities of out-of-state or foreign branches and other facilities of credit unions.

The agreements may address, but are not limited to, corporate governance and operational matters. The agreements may resolve any conflict of laws, and specify the manner in which the examination, supervision, and application processes must be coordinated with the regulators.

The director may adopt rules for the periodic examination and investigation of the affairs of an out-of-state or foreign credit union operating a branch in this state. [2001 c 83 § 24; 1997 c 397 § 43. Prior: 1994 c 256 § 88; 1994 c 92 § 205; 1984 c 31 § 54. Formerly RCW 31.12.526.]

NOTES:

Findings--Construction--1994 c 256: See RCW 43.320.007.

RCW 31.12.474 Liquidation--Disposition of unclaimed funds. (1) At a special meeting called for the purpose of liquidation, and upon the recommendation of at least two-thirds of the total members of the board of a credit union, the members of a credit union may elect to liquidate the credit union by a two-thirds majority vote of those members voting.

(2) Upon a vote to liquidate under subsection (1) of this section, a three-person liquidating committee must be elected to liquidate the assets of the credit union. The committee shall act in accordance with any requirements of the director and may be reasonably compensated by the board of the credit union. Each share account holder and depositor at the credit union is entitled to his, her, or its proportionate part of the assets in liquidation after all shares, deposits, and debts have been paid. The proportionate allocation shall be based on account balances as of a date determined by the board. For the purposes of liquidation, shares and deposits are equivalent. The assets of the liquidating credit union are not subject to contingent liabilities. Upon distribution of the assets, the credit union ceases to exist except for the purpose of discharging existing liabilities and obligations.

(3) Funds representing unclaimed dividends in liquidation and remaining in the hands of the liquidating committee for six months after the date of the final dividend must be deposited, together with all the books and papers of the credit union, with the director. The director may, one year after

receipt, destroy such records, books, and papers as, in the director's judgment, are obsolete or unnecessary for future reference. The funds may be deposited in one or more financial institutions to the credit of the director, in trust for the members of the credit union entitled to the funds. The director may pay a portion of the funds to a person upon receipt of satisfactory evidence that the person is entitled to the funds. In case of doubt or conflicting claims, the director may require an order of the superior court of the county in which the principal place of business of the credit union was located, authorizing and directing the payment of the funds. The director may apply the interest earned by the funds toward defraying the expenses incurred in the holding and paying of the funds. Five years after the receipt of the funds, the funds still remaining with the director must be remitted to the state as unclaimed property. [2001 c 83 § 25; 1997 c 397 § 44; 1994 c 92 § 223; 1984 c 31 § 74. Formerly RCW 31.12.725.]

NOTES:

Uniform unclaimed property act: Chapter 63.29 RCW.

EXAMINATION AND SUPERVISION

RCW 31.12.516 Powers of director. (1) The powers of supervision and examination of credit unions and other persons subject to this chapter and chapter 31.13 RCW are vested in the director. The director shall require each credit union to conduct business in compliance with this chapter and may require each credit union to conduct business in compliance with other state and federal laws that apply to credit unions. The director has the power to commence and prosecute actions and proceedings, to enjoin violations, and to collect sums due the state of Washington from a credit union.

(2) The director may adopt such rules as are reasonable or necessary to carry out the purposes of this chapter and chapter 31.13 RCW. Chapter 34.05 RCW will, whenever applicable, govern the rights, remedies, and procedures respecting the administration of this chapter.

(3) The director may by rule provide appropriate relief for small credit unions from requirements under this chapter or rules of the director. However, small credit unions must still comply with RCW 31.12.408.

(4) The director shall have the power and broad administrative discretion to administer and interpret the provisions of this chapter and chapter 31.13 RCW, to facilitate the delivery of financial services to the members of a credit union.

(5) Nonfederally insured credit unions, nonfederally insured out-of-state credit unions, and nonfederally insured foreign credit unions operating in this state as permitted by RCW 31.12.408 and 31.12.471, as applicable, must comply with safety and soundness requirements established by the director.

(6) The director may charge fees to credit unions and other persons subject to examination and investigation under this chapter and chapter 31.13 RCW, and to other parties where the division contracts out its services, in order to cover the costs of the operation of the division of credit unions, and to establish a reasonable reserve for the division. The director may waive all or a portion of the fees. [2001 c 83 § 26; 1997 c 397 § 45; 1994 c 92 § 204; 1984 c 31 § 53.]

RCW 31.12.545 Examinations and investigations--Reports--Access to records--Oaths--

Subpoenas. (1) The director shall make an examination and investigation into the affairs of each credit union at least once every eighteen months, unless the director determines with respect to a

credit union, that a less frequent examination schedule will satisfactorily protect the financial stability of the credit union and will satisfactorily assure compliance with the provisions of this chapter.

(2) In regard to credit unions, and out-of-state and foreign credit unions permitted to operate a branch in Washington pursuant to RCW 31.12.471, the director:

- (a) Shall have full access to the credit union's books and records and files, including but not limited to computer files;
- (b) May appraise and revalue the credit union's investments; and
- (c) May require the credit union to charge off or set up a special reserve for loans and investments.

(3) The director may make an examination and investigation into the affairs of:

- (a) An out-of-state or foreign credit union permitted to operate a branch in Washington pursuant to RCW 31.12.471;
- (b) A nonpublicly held organization in which a credit union has a material investment;
- (c) A publicly held organization the capital stock or equity of which is controlled by a credit union;
- (d) A credit union service organization in which a credit union has an interest;
- (e) An organization that is not a credit union, out-of-state credit union, federal credit union, or foreign credit union, and that has a majority interest in a credit union service organization in which a credit union has an interest;
- (f) A sole proprietorship or organization primarily in the business of managing one or more credit unions; and
- (g) A person providing electronic data processing services to a credit union.

The director shall have full access to the books and records and files, including but not limited to computer files, of persons described in this subsection.

(4) In connection with examinations and investigations, the director may:

- (a) Administer oaths and examine under oath any person concerning the affairs of any credit union or of any person described in subsection (3) of this section; and
- (b) Issue subpoenas to and require the attendance and testimony of any person at any place within this state, and require witnesses to produce any books and records and files, including but not limited to computer files, that are material to an examination or investigation.

(5) The director may accept in lieu of an examination under this section:

- (a) The report of an examiner authorized to examine a credit union or an out-of-state, federal, or foreign credit union, or other financial institution; or
- (b) The report of an accountant, satisfactory to the director, who has made and submitted a report of the condition of the affairs of a credit union or an out-of-state, federal, or foreign credit union, or other financial institution. The director may accept all or part of such a report in lieu of all or part of an examination. The accepted report or accepted part of the report has the same force and effect as an examination under this section. [2001 c 83 § 27; 1997 c 397 § 46; 1994 c 92 § 207; 1984 c 31 § 56.]

RCW 31.12.565 Examination reports and information confidential--Exceptions--Penalty. (1)

The following are confidential and privileged and not subject to public disclosure under chapter 42.17 RCW:

- (a) Examination reports and information obtained by the director in conducting examinations and investigations under this chapter and chapter 31.13 RCW;
- (b) Examination reports and related information from other financial institution regulators

- obtained by the director;
- (c) Reports or parts of reports accepted in lieu of an examination under RCW 31.12.545; and
 - (d) Business plans and other proprietary information obtained by the director in connection with a credit union's application or notice to the director.
- (2) Notwithstanding subsection (1) of this section, the director may furnish examination reports prepared by the director to:
- (a) Federal agencies empowered to examine credit unions or other financial institutions;
 - (b) Officials empowered to investigate criminal charges. The director may furnish only that part of the report which is necessary and pertinent to the investigation, and only after notifying the affected credit union and members of the credit union who are named in that part of the examination report, or other person examined, that the report is being furnished to the officials, unless the officials requesting the report obtain a waiver of the notice requirement for good cause from a court of competent jurisdiction;
 - (c) The examined credit union or other person examined, solely for its confidential use;
 - (d) The attorney general in his or her role as legal advisor to the director;
 - (e) Prospective merger partners or conservators, receivers, or liquidating agents of a distressed credit union;
 - (f) Credit union regulators in other states or foreign jurisdictions regarding an out-of-state or foreign credit union conducting business in this state under this chapter, or regarding a credit union conducting business in the other state or jurisdiction;
 - (g) A person officially connected with the credit union or other person examined, as officer, director, supervisory committee member, attorney, auditor, accountant, independent attorney, independent auditor, or independent accountant;
 - (h) Organizations that have bonded the credit union to the extent that information is relevant to the renewal of the bond coverage or to a claim under the bond coverage;
 - (i) Organizations insuring or guaranteeing the shares of, or deposits in, the credit union; or
 - (j) Other persons as the director may determine necessary to protect the public interest and confidence.
- (3) Examination reports furnished under subsection (2) of this section remain the property of the director and no person to whom reports are furnished or any officer, director, or employee thereof may disclose or make public the reports or information contained in the reports except in published statistical information that does not disclose the affairs of a person, except that nothing prevents the use in a criminal prosecution of reports furnished under subsection (2)(b) of this section.
- (4) In a civil action in which the reports or information are sought to be discovered or used as evidence, a party may, upon notice to the director, petition the court for an in-camera review of the reports or information. The court may permit discovery and introduction of only those portions of the report or information which are relevant and otherwise unobtainable by the requesting party. This subsection does not apply to an action brought or defended by the director.
- (5) This section does not apply to investigation reports prepared by the director concerning an application for a new credit union or a notice of intent to establish a branch of a credit union, except that the director may adopt rules making portions of the reports confidential, if in the director's opinion the public disclosure of that portion of the report would impair the ability to obtain information the director considers necessary to fully evaluate the application.
- (6) Any person who knowingly violates a provision of this section is guilty of a gross misdemeanor. [2001 c 83 § 28; 1997 c 397 § 48. Prior: 1994 c 256 § 90; 1994 c 92 § 209; 1984 c 31 § 58.]

NOTES:

Findings--Construction--1994 c 256: See RCW 43.320.007.

RCW 31.12.567 Reports--Financial and statistical data--As required by director. A credit union shall file with the director any financial and statistical report that it is required to file with the national credit union administration. Each report must be certified by the principal operating officer of the credit union. In addition, a credit union shall file reports as may be required by the director. [2001 c 83 § 29; 1997 c 397 § 49.]

RCW 31.12.569 Generally accepted accounting principles. Credit unions will comply with the provisions of generally accepted accounting principles as required by federal law or rule of the director. In adopting rules to implement this section, the director shall consider, among other relevant factors, whether to transition small credit unions to generally accepted accounting principles over a period of time. [2001 c 83 § 30; 1997 c 397 § 50.]

NOTES:

Effective date--1997 c 397 § 50: *"Section 50 of this act takes effect January 1, 1999."* [1997 c 397 § 91.]

RCW 31.12.571 Notice of intent to establish branch--Another state or foreign jurisdiction. A credit union desiring to establish a branch in another state or a foreign jurisdiction shall submit to the director a notice of intent to establish the branch at least thirty days before conducting business at the branch. [2001 c 83 § 31; 1997 c 397 § 51; 1994 c 92 § 190; 1984 c 31 § 23. Formerly RCW 31.12.215.]

RCW 31.12.575 Removal or prohibition orders--Director's authority--Notice. The director may issue and serve a credit union director, supervisory committee member, officer, or employee with written notice of intent to remove the person from office or employment or to prohibit the person from participating in the conduct of the affairs of the credit union or any credit union whenever, in the opinion of the director:

- (1) The person has committed a material violation of law or an unsafe or unsound practice; and
- (2)(a) The credit union has suffered or is likely to suffer substantial financial loss or other damage; or
- (b) The interests of the credit union's share account holders and depositors could be seriously prejudiced by reason of the violation or practice; and
- (3) The violation or practice involves personal dishonesty, recklessness, or incompetence. [2001 c 83 § 32; 1997 c 397 § 52; 1994 c 92 § 210; 1984 c 31 § 59.]

RCW 31.12.585 Prohibited acts--Notice--Cease and desist order. The director may issue and serve a credit union with a written notice of charges and intent to issue a cease and desist order if, in the opinion of the director, the credit union has committed or is about to commit:

- (1) A material violation of law; or
- (2) An unsafe or unsound practice.

Upon taking effect, the order may require the credit union and its directors, supervisory committee

members, officers, employees, and agents to cease and desist from the violation or practice and may require them to take affirmative action to correct the conditions resulting from the violation or practice. [2001 c 83 § 33; 1997 c 397 § 53; 1994 c 92 § 211; 1984 c 31 § 60.]

RCW 31.12.595 Temporary cease and desist order--Notice--Superior court. (1) If the director determines that the violation or practice specified in RCW 31.12.585 is likely to cause an unsafe or unsound condition at the credit union, the director may issue and serve a temporary cease and desist order. The order may require the credit union and its directors, supervisory committee members, officers, employees, and agents to cease and desist from the violation or practice and may require them to take affirmative action to correct the conditions resulting from the violation or practice.

(2) With the temporary order, the director shall serve a notice of charges and intent to issue a cease and desist order under RCW 31.12.585 in the matter.

(3) The temporary order becomes effective upon service on the credit union and remains effective until completion of the administrative proceedings under the notice issued under subsection (2) of this section.

(4) Within ten days after a credit union has been served with a temporary order, the credit union may apply to the superior court in the county of its principal place of business for an injunction setting aside, limiting, or suspending the order pending the completion of the administrative proceedings under the notice issued under subsection (2) of this section.

(5) In the case of a violation or threatened violation of a temporary order, the director may apply to the superior court of the county of the principal place of business of the credit union for an injunction to enforce the order, and the court shall issue an injunction if it determines that there has been a violation or threatened violation. [2001 c 83 § 34; 1997 c 397 § 54; 1994 c 92 § 212; 1984 c 31 § 61.]

RCW 31.12.625 Administrative hearing--Procedures. An administrative hearing on the notice provided for in RCW 31.12.575 and 31.12.585 must be conducted in accordance with chapter 34.05 RCW; provided that, to the extent the requirements of this chapter are inconsistent with chapter 34.05 RCW, this chapter will govern. The hearing may be held at such place as is designated by the director. The hearing shall be private unless the director determines that a public hearing is necessary to protect the public interest after fully considering the views of the party afforded the hearing. [2001 c 83 § 35; 1997 c 397 § 56; 1994 c 92 § 214; 1984 c 31 § 64.]

RCW 31.12.630 Authority of director to call special meeting of board. The director may request a special meeting of the board of a credit union if the director believes that a special meeting is necessary for the welfare of the credit union or the purposes of this chapter. The director's request for a special board meeting must be made in writing to the secretary of the board and the request must be handled in the same manner as a call for a special meeting under RCW 31.12.195. The director may require the attendance of all of the directors at the special board meeting, and an absence unexcused by the director constitutes a violation of this chapter. [1997 c 397 § 58; 1994 c 92 § 216; 1984 c 31 § 67. Formerly RCW 31.12.655.]

RCW 31.12.633 Authority of director to attend meetings of the board. The director may attend a meeting of the board of a credit union if the director believes that attendance at the meeting is necessary for the welfare of the credit union, or the purposes of this chapter, or if the board has

requested the director's attendance. The director shall provide reasonable notice to the board before attending a meeting. [1997 c 397 § 59; 1994 c 92 § 217; 1984 c 31 § 68. Formerly RCW 31.12.665.]

RCW 31.12.637 Intervention by director--Conditions. The director may place a credit union under supervisory direction in accordance with RCW 31.12.641 through 31.12.647, appoint a conservator for a credit union in accordance with RCW 31.12.651 through 31.12.661, appoint a liquidating agent for a credit union in accordance with RCW 31.12.664 and 31.12.667, or appoint a receiver for a credit union in accordance with RCW 31.12.671 through 31.12.724, if the credit union:

- (1) Consents to the action;
- (2) Has failed to comply with the requirements of the director while the credit union is under supervisory direction;
- (3) Has committed or is about to commit a material violation of law or an unsafe or unsound practice, and such violation or practice has caused or is likely to cause an unsafe or unsound condition at the credit union; or
- (4) Is in an unsafe or unsound condition. [1997 c 397 § 60.]

RCW 31.12.641 Supervision by director--Notice--Compliance--Costs. (1) As authorized by RCW 31.12.637, the director may determine to place a credit union under supervisory direction. Upon such a determination, the director shall notify the credit union in writing of:

- (a) The director's determination; and
 - (b) Any requirements that must be satisfied before the director shall terminate the supervisory direction.
- (2) The credit union must comply with the requirements of the director as provided in the notice. If the credit union fails to comply with the requirements, the director may appoint a conservator, liquidating agent, or receiver for the credit union, in accordance with this chapter. The director may appoint a representative to supervise the credit union during the period of supervisory direction.(3) All costs incident to supervisory direction will be a charge against the assets of the credit union to be allowed and paid as the director may determine. [1997 c 397 § 61.]

RCW 31.12.644 Supervision by director--Certain acts prohibited. During the period of supervisory direction, the director may prohibit the credit union from engaging in any of the following acts without prior approval:

- (1) Disposing of, conveying, or encumbering any of its assets;
- (2) Withdrawing any of its accounts at other financial institutions;
- (3) Lending any of its funds;
- (4) Investing any of its funds;
- (5) Transferring any of its property; or
- (6) Incurring any debt, obligation, or liability. [1997 c 397 § 62.]

RCW 31.12.647 Supervision by director--Credit union request for review. During the period of supervisory direction, the credit union may request the director to review an action taken or proposed to be taken by the representative, specifying how the action is not in the best interests of the credit union. The request stays the action, pending the director's review of the request. [1997 c

RCW 31.12.651 Conservator--Authorized actions--Costs. (1) As authorized by RCW 31.12.637, the director may, upon due notice and hearing, appoint a conservator for a credit union. The director may appoint himself or herself or another qualified party as conservator of the credit union. The conservator shall immediately take charge of the credit union and all of its property, books, records, and effects.

(2) The conservator shall conduct the business of the credit union and take such steps toward the removal of the causes and conditions that have necessitated the appointment of a conservator, as the director may direct. The conservator is authorized to, without limitation:

(a) Take all necessary measures to preserve, protect, and recover any assets or property of the credit union, including any claim or cause of action belonging to or which may be asserted by the credit union, and administer the same in his or her own name as conservator; and

(b) File, prosecute, and defend any suit that has been filed or may be filed by or against the credit union that is deemed by the conservator to be necessary to protect all of the interested parties or a property affected thereby.

The conservator shall make such reports to the director from time to time as may be required by the director.

(3) All costs incident to conservatorship will be a charge against the assets of the credit union to be allowed and paid as the director may determine.

(4) If at any time the director determines that the credit union is not in condition to continue business under the conservator in the interest of its share account holders, depositors, or creditors, and grounds exist under RCW 31.12.637, the director may proceed with appointment of a liquidating agent or receiver in accordance with this chapter. [1997 c 397 § 64.]

RCW 31.12.654 Actions by conservator--Review. During the period of conservatorship, the credit union may request the director to review an action taken or proposed to be taken by the conservator, specifying how the action is not in the best interest of the credit union. The request stays the action, pending the director's review of the request. [1997 c 397 § 65.]

RCW 31.12.657 Lawsuits during period of conservatorship. Any suit filed against a credit union or its conservator, during the period of conservatorship, must be brought in the superior court of Thurston county. A conservator for a credit union may file suit in any superior court or other court of competent jurisdiction against any person for the purpose of preserving, protecting, or recovering any asset or property of the credit union, including, but not limited to, any claims or causes of action belonging to or asserted by the credit union. [1997 c 397 § 66.]

RCW 31.12.661 Conservator serves until purposes are accomplished. The conservator shall serve until the purposes of the conservatorship have been accomplished. If rehabilitated, the credit union must be returned to management or new management under such conditions as the director may determine. [1997 c 397 § 67.]

RCW 31.12.664 Liquidation--Suspension or revocation of articles--Placement in involuntary

liquidation--Appointment of liquidating agent--Notice--Procedure--Effect. (1) As authorized by RCW 31.12.637, the director may appoint a liquidating agent for a credit union. Before appointing a liquidating agent, the director shall issue and serve notice on the credit union an order directing the credit union to show cause why its articles of incorporation should not be suspended or revoked, in accordance with chapter 34.05 RCW.

(2) If the credit union fails to adequately show cause, the director shall serve the credit union with an order directing the suspension or revocation of the articles of incorporation, placing the credit union in involuntary liquidation, appointing a liquidating agent under this section and RCW 31.12.667, and providing a statement of the findings on which the order is based.

(3) The suspension or revocation must be immediate and complete. Once the articles of incorporation are suspended or revoked, the credit union shall cease conducting business. The credit union may not accept any payment to share or deposit accounts, may not grant or pay out any new or previously approved loans, may not invest any of its assets, and may not declare or pay out any previously declared dividends. The liquidating agent of a credit union whose articles have been suspended or revoked may accept payments on loans previously paid out and may accept income from investments already made. [1997 c 397 § 68; 1994 c 92 § 218; 1984 c 31 § 69. Formerly RCW 31.12.675.]

RCW 31.12.667 Order directing involuntary liquidation--Procedure. (1) On receipt of the order placing the credit union in involuntary liquidation, the officers and directors of the credit union shall deliver to the liquidating agent possession and control of all books, records, assets, and property of the credit union.

(2) The liquidating agent shall proceed to convert the assets to cash, collect all debts due to the credit union and wind up its affairs in accordance with any instructions and procedures issued by the director. If a liquidating agent agrees to absorb and serve the membership of the credit union, the director may approve a pooling of assets and liabilities rather than a distribution of assets.

(3) Each share account holder and depositor at the credit union is entitled to a proportionate allocation of the assets in liquidation after all shares, deposits, and debts have been paid. The proportionate allocation shall be based on account balances as of a date determined by the board. For the purposes of liquidation, shares and deposits are equivalent.

(4) The liquidating agent shall cause a notice of liquidation to be published once a week for three consecutive weeks in a newspaper of general circulation in the county in which the principal place of business of the credit union is located. The notice of liquidation must inform creditors of the credit union on how to make a claim upon the liquidating agent, and that if a claim is not made upon the liquidating agent within thirty days of the last date of publication, the creditor's claim is barred. The liquidating agent shall provide personal notice of liquidation to the creditors of record, informing them that if they fail to make a claim upon the liquidating agent within thirty days of the service of the notice, the creditor's claim is barred. If a creditor fails to make a claim upon the liquidating agent within the times required to be specified in the notices of liquidation, the creditor's claim is barred. All contingent liabilities of the credit union are discharged upon the director's order to liquidate the credit union. The liquidating agent shall, upon completion, certify to the director that the distribution or pooling of assets of the credit union is complete. [1997 c 397 § 69; 1994 c 92 § 219; 1984 c 31 § 70. Formerly RCW 31.12.685.]

RCW 31.12.671 Receivership--Appointment of receiver by director--Notice--Act without bond. As authorized by RCW 31.12.637, the director may without prior notice appoint a receiver to take possession of a credit union. The director may appoint the national credit union

administration or other qualified party as receiver. Upon appointment, the receiver is authorized to act without bond. Upon acceptance of the appointment, the receiver shall have and possess all the powers and privileges provided by the laws of this state with respect to the receivership of a credit union, and be subject to all the duties of and restrictions applicable to such a receiver, except insofar as such powers, privileges, duties, or restrictions are in conflict with any applicable provision of the federal credit union act.

Upon taking possession of the credit union, the receiver shall give written notice to the directors of the credit union and to all persons having possession of any assets of the credit union. No person with knowledge of the taking of possession by the receiver shall have a lien or charge for any payment advanced, clearance made, or liability incurred against any of the assets of the credit union, after the receiver takes possession, unless approved by the receiver. [1997 c 397 § 70.]

RCW 31.12.674 Receiver may be required to show cause--Superior court. Within ten days after the receiver takes possession of a credit union's assets, the credit union may serve notice upon the receiver to appear before the superior court of the county in which the principal place of business of the credit union is located and at a time to be fixed by the court, which may not be less than five or more than fifteen days from the date of the service of the notice, to show cause why the credit union should not be restored to the possession of its assets.

The court shall summarily hear and dismiss the complaint if it finds that the receiver was appointed for cause. However, if the court finds that no cause existed for appointment of the receiver, the court shall require the receiver to restore the credit union to possession of its assets and enjoin the director from further appointment of a receiver for the credit union without cause. [1997 c 397 § 71.]

RCW 31.12.677 Powers and duties of receiver. Upon taking possession of a credit union, the receiver shall proceed to collect the assets of the credit union and preserve, administer, and liquidate its business and assets.

With the approval of the Thurston county superior court or the superior court of the county in which the principal place of business of the credit union is located, the receiver may sell, compound, or compromise bad or doubtful debts, and upon such terms as the court may direct, borrow, mortgage, pledge, or sell all or any part of the real and personal property of the credit union. The receiver may deliver to each purchaser or lender an appropriate deed, mortgage, agreement of pledge, or other instrument of title or security. The receiver may employ an attorney or other assistants to assist in carrying out the receivership, subject to such surety bond as the director may require. The premium for any such bond must be paid out of the assets of the credit union.

In carrying out the receivership, the receiver may without limitation arrange for the merger or consolidation of the credit union in receivership with another credit union, out-of-state credit union, or federal credit union, or may arrange for the purchase of the credit union's assets and the assumption of its liabilities by such a credit union, in whole or in part, or may arrange for such a transaction with another type of financial institution as may be otherwise permitted by law. The receiver shall give preference to transactions with a credit union or a federal credit union that has its principal place of business in this state. [1997 c 397 § 72.]

RCW 31.12.681 Claims against credit union in receivership--Notice. The receiver shall publish once a week for four consecutive weeks in a newspaper of general circulation in the county where the credit union's principal place of business is located, a notice requiring all persons having claims

against the credit union to file proof of claim not later than ninety days from the date of the first publication of the notice. The receiver shall mail similar notices to all persons whose names appear as creditors upon the books of the credit union. The assets of the credit union are not subject to contingent claims.

After the expiration of the time fixed in the notice, the receiver has no power to accept any claim except the claim of a depositor or share account holder, and all other claims are barred. Claims of depositors or share account holders may be presented after the expiration of the time fixed in the notice and may be approved by the receiver. If such a claim is approved, the depositor or share account holder is entitled to its proportion of prior liquidation dividends, if sufficient funds are available for it, and will share in the distribution of the remaining assets.

The receiver may approve or reject any claim, but shall serve notice of rejection upon the claimant by mail or personally. An affidavit of service of the notice of rejection will serve as prima facie evidence that notice was given. No action may be brought on any claim after three months from the date of service of the notice of rejection. [1997 c 397 § 73.]

RCW 31.12.684 Receiver shall inventory assets--File lists of assets and claims--Objections to approved claims. Upon taking possession of the credit union, the receiver shall make an inventory of the assets and file the list in the office of the county clerk. Upon the expiration of the time fixed for the presentation of claims, the receiver shall make a list of claims presented, segregating those approved and those rejected, to be filed in the office of the county clerk. The receiver shall also make and file with the office of the county clerk a supplemental list of claims at least fifteen days before the declaration of any liquidation dividend, and in any event at least every six months. Objection may be made by any interested person to any claim approved by the receiver. Objections to claims approved by the receiver will be resolved by the court after providing notice to both the claimant and objector, as the court may prescribe. [1997 c 397 § 74.]

RCW 31.12.687 Expenses incurred by receiver. All expenses incurred by the receiver in relation to the receivership of a credit union, including, but not limited to, reasonable attorneys' fees, become a first charge upon the assets of the credit union. The charges shall be fixed and determined by the receiver, subject to the approval of the court. [1997 c 397 § 75.]

RCW 31.12.691 Liquidation dividends--Approval of court. At any time after the expiration of the date fixed for the presentation of claims, the receiver, subject to the approval of the court, may declare one or more liquidation dividends out of the funds remaining after the payment of expenses. [1997 c 397 § 76.]

RCW 31.12.694 Remaining assets--Distribution. When all expenses of the receivership have been paid, as well as all proper claims of share account holders, depositors, and other creditors, and proper provision has been made for unclaimed or unpaid debts and liquidation dividends, and assets of the credit union still remain, the receiver shall wind up the affairs of the credit union and distribute its assets to those entitled to them. Each share account holder and depositor at the credit union is entitled to a proportionate share of the assets remaining. The proportionate allocation shall be based on account balances as of a date determined by the board. For the purposes of liquidation, shares and deposits are equivalent. [1997 c 397 § 77.]

RCW 31.12.697 Unclaimed liquidation dividends. Any liquidation dividends to share account holders, depositors, or other creditors of the credit union remaining uncalled for and unpaid in the hands of the receiver for six months after the order of final distribution, must be deposited in a financial institution to each share account holder's, depositor's, or creditor's credit. The funds must be held in trust for the benefit of the persons entitled to the funds and, subject to the supervision of the court, must be paid by the receiver to them upon presentation of satisfactory evidence of their right to the funds. [1997 c 397 § 78.]

RCW 31.12.701 Personal property--Receiver's duties. (1) The receiver shall inventory, package, and seal uncalled for and unclaimed personal property left with the credit union, including, but not limited to, property held in safe deposit boxes, and arrange for the packages to be held in safekeeping. The credit union, its directors and officers, and the receiver, shall be relieved of responsibility and liability for the property held in safekeeping. The receiver shall promptly send to each person in whose name the property stood on the books of the credit union, at the person's last known address, a registered letter notifying the person that the property will be held in the person's name for a period of not less than two years.

(2) After the expiration of two years from the date of mailing the notice, the receiver shall promptly send to each person in whose name the property stood on the books of the credit union, at the person's last known address, a registered letter providing notice of sale. The letter must indicate that the receiver will sell the property set out in the notice, at a public auction at a specified time and place, not less than thirty days after the date of mailing the letter. The receiver may sell the property unless the person, prior to the sale, presents satisfactory evidence of the person's right to the property. A notice of the time and place of the sale must be published once within ten days prior to the sale in a newspaper of general circulation in the county where the sale is to be held.

(3) Any property, for which the address of the owner or owners is not known, may be sold at public auction after it has been held by the receiver for two years. A notice of the time and place of the sale must be published once within ten days prior to the sale in a newspaper of general circulation in the county where the sale is to be held.

(4) Whenever the personal property left with the credit union consists either wholly or in part, of documents, letters, or other papers of a private nature, the documents, letters, or papers may not be sold, but must be retained by the receiver and may be destroyed after a period of five years. [1997 c 397 § 79.]

RCW 31.12.704 Proceeds of sale--Deposit or payment by receiver. The proceeds of the sale less any amounts for costs and charges incurred in safekeeping and sale must be deposited by the receiver in a financial institution, in trust for the benefit of the person entitled to the property. The sale proceeds must be paid by the receiver to the person upon presentation of satisfactory evidence of the person's right to the funds. [1997 c 397 § 80.]

RCW 31.12.707 Completion of receivership--Merger, purchase, or liquidation--Secretary of state. Upon the completion of a receivership through merger, purchase of assets and assumption of liabilities, or liquidation, the director shall terminate the credit union's authority to conduct business and certify that fact to the secretary of state. Upon certification, the credit union shall cease to exist and the secretary of state shall note that fact upon his or her records. [1997 c 397 § 81.]

RCW 31.12.711 Director may terminate receivership--Expenses. If at any time after a receiver is appointed, the director determines that all material deficiencies at the credit union have been corrected, and that the credit union is in a safe and sound condition to resume conducting business, the director may terminate the receivership and permit the credit union to reopen upon such terms and conditions as the director may prescribe. Before being permitted to reopen, the credit union must pay all of the expenses of the receiver. [1997 c 397 § 82.]

RCW 31.12.714 Receivership files. The receiver or director, as appropriate, may at any time after the expiration of one year from the order of final distribution, or from the date when the receivership has been completed, destroy any of the remaining files, records, documents, books of account, or other papers of the credit union that appear to be obsolete or unnecessary for future reference as part of the receivership files. [1997 c 397 § 83.]

RCW 31.12.717 Pendency of proceedings for review of appointment of receiver--Liabilities of credit union--Availability of relevant data. The pendency of any proceedings for judicial review of the appointment of a receiver may not operate to prevent the payment or acquisition of the share and deposit liabilities of the credit union by the national credit union administration or other insurer or guarantor of the share and deposit liabilities of the credit union. During the pendency of the proceedings, the receiver shall make credit union facilities, books, records, and other relevant credit union data available to the insurer or guarantor as may be necessary or appropriate to enable the insurer or guarantor to pay out or to acquire the insured or guaranteed share and deposit liabilities of the credit union. The national credit union administration and any other insurer or guarantor of the credit union's share and deposit liabilities, together with their directors, officers, agents, and employees, and the director and receiver and their agents and employees, will be free from liability to the credit union, its directors, members, and creditors, for or on account of any action taken in connection with the receivership. [1997 c 397 § 84.]

RCW 31.12.721 Appointment by court of temporary receiver--Notice to director. No receiver may be appointed by any court for any credit union, except that a court otherwise having jurisdiction may in case of imminent necessity appoint a temporary receiver to take possession of and preserve the assets of the credit union. Immediately upon appointment, the clerk of the court shall notify the director in writing of the appointment and the director shall appoint a receiver to take possession of the credit union and the temporary receiver shall upon demand surrender possession of the assets of the credit union to the receiver. The receiver may in due course pay the temporary receiver out of the assets of the credit union, subject to the approval of the court. [1997 c 397 § 85.]

RCW 31.12.724 Actions that are void--Felonious conduct--Penalties. Every transfer of a credit union's property or assets, and every assignment by a credit union for the benefit of creditors, made in contemplation of insolvency, or after it has become insolvent, to intentionally prefer one creditor over another, or to intentionally prevent the equal distribution of its property and assets among its creditors, is void. Every credit union director, officer, or employee making any such transfer is guilty of a felony.

An officer, director, or employee of a credit union who fraudulently receives any share or deposit

on behalf of the credit union, knowing that the credit union is insolvent, is guilty of a felony. [1997 c 397 § 86.]

MISCELLANEOUS

RCW 31.12.850 Prohibited acts--Penalty. (1) It is unlawful for a director, supervisory committee member, officer, employee, or agent of a credit union to knowingly violate or consent to a violation of this chapter. Unless otherwise provided by law, a violation of this subsection is a misdemeanor under chapter 9A.20 RCW.

(2) It is unlawful for a person to perform any of the following acts:

- (a) To knowingly subscribe to, make, or cause to be made a false statement or entry in the books of a credit union;
- (b) To knowingly make a false statement or entry in a report required to be made to the director; or
- (c) To knowingly exhibit a false or fictitious paper, instrument, or security to a person authorized to examine a credit union.

A violation of this subsection is a class C felony under chapter 9A.20 RCW. [1997 c 397 § 87; 1994 c 92 § 215; 1984 c 31 § 65. Formerly RCW 31.12.635.]

RCW 31.12.860 Taxation of credit unions. Neither a credit union nor its members may be taxed upon its shares and deposits as property. A credit union shall be taxable upon its real property and tangible personal property, and every credit union shall be termed a mutual institution for savings and neither it nor its property may be taxable under any law which exempts savings banks or institutions for savings from taxation. For all purposes of taxation, the assets represented by the regular reserve and other reserves, other than reserves for expenses and losses of a credit union, shall be deemed its only permanent capital, and in computing any tax, whether it be property, income, or excise, appropriate adjustment shall be made to give effect to the mutual nature of such credit union. [1984 c 31 § 75. Formerly RCW 31.12.735.]

RCW 31.12.890 Satellite facilities. See chapter 30.43 RCW.

RCW 31.12.891 Automated teller machines and night depositories security. Chapter 19.174 RCW applies to automated teller machines and night depositories regulated under this title. [1993 c 324 § 11. Formerly RCW 31.12.740.]

NOTES:

Effective date--1993 c 324: See RCW 19.174.900.

RCW 31.12.902 Short title. This chapter may be known and cited as the "Washington State Credit Union Act." [1984 c 31 § 76.]

RCW 31.12.906 Effective date--1997 c 397. Except for sections 35 and 50 of this act, this act

takes effect January 1, 1998. [1997 c 397 § 92.]

RCW 31.12.907 Severability--1997 c 397. If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected. [1997 c 397 § 93.]

RCW 31.12.908 Severability--2001 c 83. If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected. [2001 c 83 § 41.]